

Board of Directors
WEST CONTRA COSTA HEALTHCARE DISTRICT

A Finance Meeting of the Board of Directors of the **WEST CONTRA COSTA HEALTHCARE DISTRICT** was called to order at 5:06 p.m. on Thursday, October 26, 2006, at the Doctors Medical Center Auditorium at 2000 Vale Rd., San Pablo, CA.

Roll Call

Present: Directors Wallace, Carson, Moore-Cash and Campbell

Absent: Directors Casazza

Also Present:

Irwin Hansen, CEO

Peggy Lipper, CDO

Wahid Choudhury, Controller

Financial Statement September 2006

Irwin Hansen, CEO stated that the bankruptcy court approved the transfer of taxes today at their 2pm meeting.

Wahid Choudhury, Controller, reviewed the financial statement that was presented to the board in the study session. The net loss for the month of September was \$6,887,080 and for the nine months ending September 30, 2006, it was \$13,880,377. The net loss did include two adjustments that were additional bad debt reserves (\$3,107,412) and for employee medical insurance expense incurred but not reported yet (IBNR for \$1,109,333).

Admissions dropped by half the amount of that in August, to 356 for the month. Average Daily Census (ADC) was 56, while during the first part of the month the ADC was 81 and dropped to 35 for the latter part of the month. In our efforts to cut costs, including ambulance diversion, our overall volume for the month of September was lower. Our length of stay decreased from 4.2 to 4.10 in September.

Due to temporary lay-offs our salaries and wages were lower than budget toward the end of the month compared to the normal average for our two bi-weekly payroll expenses. Supplies and expenses were lower than budget by \$746,000 due to the closure of the Pinole campus and conserve cash.

Medical and clinical fees, such as Medical Directorship fees, were high than budget by 30% and included fees that were prior payment due to physicians which were not invoiced previously. By law, we are required to record all of the District's known pre-petition liabilities as of September 30, 2006 and our Chapter-9 protection began as of October 1, 2006.

In response to a question from the board, Irwin Hansen CEO stated that once the decision was made to keep the ER open there was a cost associated with it. We dropped the

payroll from 2.7 to 1.5 million. Our objective was to conserve our cash, though it was a hard business decision to make, it was made in order to save the hospital in the community.

Director Moore-Cash moved the acceptance of the financial statement for September 2006. It was seconded by Director Carson and was approved by the board unanimously.

Selection of Auditors

Wahid Choudhury, Controller, gave a brief presentation on the selection of auditors. Moss Adams stated they would not participate in our audit for 2006. Two proposals were obtained and we received notice that the other firm was not able to do the audit because they are short staffed. This leaves us with TCA Partners LLP with is a large auditing firm. With a delay, the audit comes 2-3 months before the fiscal year ends, they make sure the books are right and all procedures are correct. Since we are currently in October we are at an urgency to find an Auditor so we are able to move forward. The cost is \$45,000 for external audit and \$5,000 for pension audit. A 3 year contract is proposed and will cost \$42K for the first year and will drop every year there after. Our cost to Moss-Adams last year was \$86,000 alone.

Wahid is not familiar with the company, but looking at their credentials that show they have worked with other hospitals that he knows and is very confident that they will do a complete job as they have experience in District Hospital audits.

Director Carson moved the approval of selection of auditors. It was seconded by Director Moore-Cash and approved by the board unanimously.

Other

Director Campbell said that she had called in to Administration earlier today regarding our web-site being off line. In response to Director Campbell's comment, Wahid stated that the contract is through august of 2007, but because of the bankruptcy petition they have stopped service. We have issued a check for October and forward through August 2007.

Public Comment

None.

Adjournment

The meeting was adjourned at 6:00 pm.